

Service Date: July 7, 1992

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Application)
of GTE Northwest Incorporated) UTILITY DIVISION
for Authority to Increase Rates) DOCKET NO. 92.3.12
and for Approval of Tariff) INTERIM ORDER NO. 5632
Changes.)

FINDINGS OF FACT

1. On March 25, 1992, GTE Northwest Incorporated (Applicant, GTE-NW, Company), filed an application pursuant to ARM 38.5.2802 to increase rates on an annual basis by \$450,000. The Applicant noted in the filing that the last general rate increase application was filed with the Commission in 1986. According to the Company the specific external factors that between 1986 and 1992 have caused earnings to fall behind expenses are inflation, continued investment in network upgrades and modernization and changes in allocations of investment and expense from the interstate to the intrastate jurisdiction. The Company proposed to recover the total general rate request of \$450,000 through permanent increases to Basic Network Access, Additional Directory Services and Directory Assistance Rates, and by the introduction of a Late Payment Charge (@ 1% per month).

2. Concurrent with the application, GTE-NW requested the Commission grant an interim increase of \$292,356. GTE-NW asked that the interim increase be recovered through a uniform 24.27% surcharge on all business and residence network access, joint user service and public access lines.

3. The Applicant used its embedded cost of debt of 8.82% to calculate its interim revenue requirement. The Commission finds this to be an appropriate methodology for GTE-NW in this Docket.

4. There are two adjustments included in the Applicant filing which are not appropriate for consideration in determining the interim revenue requirement: the first is Other Post Employment Benefits (OPEBs) and the second is the post test year plant addition which relates to the installation of the new digital central office in the Troy exchange. The Financial Accounting Standards Board adopted Financial Accounting Statement No. 106, "Employers' Accounting for Post-Retirement Benefits Other Than Pensions" in December 1990. Companies are required to adopt this new accounting standard for all fiscal years beginning after December 15, 1992. GTE-NW will adopt Statement No. 106 on January 1, 1993. The Commission finds the OPEB issue to be very complex and that it is likely to be a contested issue in this rate case. Given the nature of this issue, the Commission finds that no adjustment for OPEBs should be included in the calculation of the interim revenue requirement. Removal of the adjustment for OPEBs results in a decrease in operating expense of \$62,537 and a reduction in rate base of \$12,133. As to the new digital central office which has not yet been installed, that plant addition is clearly not an appropriate item for inclusion in the interim revenue

requirement. Removal of the Troy Switch Adjustment results in a decrease in operating expense of \$33,437 and a reduction in rate base of \$381,223.

5. The Commission finds that GTE-NW request for interim relief is in accordance with the interim filing rules and, with the exception of the two adjustments noted above in Finding of Fact No. 4, is reasonable. The Commission finds that GTE-NW is entitled to additional interim revenues of \$132,891.

6. GTE-NW proposed that any interim increase be recovered through a uniform percentage surcharge on access rates. The Commission finds this proposal to be reasonable. The Commission directs GTE-NW to calculate this surcharge based on the additional interim revenues granted to the Company in Finding of Fact No. 5.

7. The Commission finds that if a rebate is necessary as a result of the Final Order in this Docket, interest will be calculated at GTE-NW cost of long-term debt which is 8.82 percent.

CONCLUSIONS OF LAW

1. GTE Northwest Incorporated, offers regulated telecommunications services in the state of Montana and is a public utility under MCA Section 69-3-101.

2. The Montana Public Service Commission properly exercises jurisdiction over GTE-NW Montana operations pursuant to Title 69, Chapter 3, MCA.

3. Section 69-3-304, MCA, provides in part, “the Commission may, in its discretion, temporarily approve increases pending a hearing and final decision.”

4. The rates approved herein are a reasonable means of providing interim relief to GTE-NW. The rebate provisions of Section 69-3-304, MCA, protect ratepayers until there is a Final Order in this Docket.

ORDER

1. Applicant GTE Northwest Incorporated is hereby granted interim revenues in the amount of \$132,891 annually.

2. Applicant must file tariffs in compliance with the Findings of Fact in this Interim Order.

3. Nothing in this Interim Order precludes the Commission from adopting in its Final Order, after reviewing the entire record in this Docket, a revenue requirement different from that contained in this Interim Order.

4. Interim approval of any matters in this Docket should not be viewed as final endorsement by the Commission of any issues, calculations, or methodologies approved in this Interim Order.

DONE IN OPEN SESSION at Helena, Montana, this 29th day of June, 1992, by a vote of 5 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DANNY OBERG, Chairman

WALLACE W. "WALLY" MERCER, Vice Chairman

BOB ANDERSON, Commissioner

JOHN B. DRISCOLL, Commissioner

TED C. MACY, Commissioner

ATTEST:

Ann Peck
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.